

**MEMORANDUM**

**TO: BOARD OF COUNTY COMMISSIONERS**

**FROM: BOB INZER, CLERK OF COURT**

**SUBJECT: AUDIT REPORT - FISCAL YEAR 2002-2003**

**DATE: April 19, 2004**

I am pleased to forward to you the County's annual audit report, financial statements and management letter for the fiscal year ended September 30, 2003. This report reflects an unqualified auditor's opinion on our financial statements. Leon County has received an unqualified audit opinion every year since 1982.

The auditors' report on internal control structure and their management letter in that regard are found on pages 41 through 47 in the Board's financial report. This document basically covers areas relating to financial procedures. As in the past, your staff and mine are addressing all areas.

The county's external audit committee members who were in attendance are as follows: the Assistant to County Administrator, Director of OMB, Finance Director, Assistant Finance Director, and myself. The committee met and reviewed the report with staff and recommends acceptance of the report and response to the State Auditor General.

Your acceptance of the report and approval of the letter of response will be placed on the April 27<sup>th</sup>, agenda. As mentioned, Florida law requires that a letter of response be made to the State Auditor General on the auditors' comments. A draft letter of response is included in this package for your review and approval.

Audit reports such as this one, along with the Comprehensive Annual Financial Report (CAFR), having won the Certificate of Achievement for Excellence in Financial Reporting, are providing greater accountability to you and our citizens. Should you have questions or comments on the audit, please let me know.

cc: Parvez Alam, County Administrator  
Bill Bogan Jr., Director of Finance  
Alan Rosensweig, Director OMB

## Management Comments

To the Honorable Board of County Commissioners  
Leon County, Florida

We have audited the basic financial statements of Leon County, Florida (the "County"), as of and for the fiscal year ended September 30, 2003, and have issued our report thereon dated January 23, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and any amendments thereto, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the County for the year ended September 30, 2003, we considered the internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

We have issued our Independent Auditors' Report On Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated January 23, 2004, should be considered in conjunction with this management letter. The purpose of this section is to recommend procedures that we feel will improve the efficiency of present accounting systems and to disclose other items as required by the Rules of the Auditor General, State of Florida.

The comments, which follow, are reported pursuant to the provisions of Chapter 10.550, *Rules of the Auditor General* which govern the conduct of the local government entity audits performed in the State of Florida and require disclosure of certain findings even though they may not materially affect the financial statements.

### Prior Year's Findings and Recommendations

The current status of the prior year's recommendations is presented below.

**Develop a process to reconcile, monitor, and prepare accurate SHIP tracking reports.**

In the prior year audit, we recommended the following procedures to ensure the SHIP tracking reports were monitored, accurate, and reconciled to the Banner general ledger system.

1. Develop a database to track the loans and lien information and that liens be promptly removed at the end of the loan period.
2. SHIP expenditure information for each allocation year should be included in the schedule of expenditures of state financial assistance.
3. Establish a system whereby accounting information in Banner is reconciled to the grant reports and related information.
4. Establish a system to review participant files to ensure that all participant files are accurate, complete, and contain appropriate supporting documentation.
5. Update tracking reports throughout the year with accurate information supported by the participant's file, and review the reports for completeness and accuracy prior to submitting them to the Florida Housing Corporation.

Of the above recommendations, we noted the following during our current year testing, respectively:

1. Corrective action has been taken.
2. Corrective action has been taken.
3. A system was implemented on October 1, 2003. During the current year grant compliance testing, we noted discrepancies between the SHIP 01 and SHIP 02 tracking reports and the Banner general ledger. The SHIP 03 tracking report reconciled to Banner.
4. The recommendation was implemented, however we noted incomplete documentation in the participant files related to the SHIP 01 and 02 grants.
5. The recommendation was not implemented for the SHIP 01 and 02 tracking reports, however it was implemented for the SHIP 03 tracking report. The SHIP 01 and 02 tracking reports submitted to the Florida Housing Corporation contained discrepancies from the Community Development Block Grants tracking reports and did not reconcile to the general ledger.

**Develop a process to reconcile, monitor, and prepare accurate SHIP tracking reports (continued)**

Due to the significant amount of expenditures related to the SHIP 01 and SHIP 02 grants, we repeat our recommendations from the prior year for items 3, 4, and 5. In addition, our finding related to item number 5 has been included as a reportable condition. See the current year *Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A -133 and Chapter 10.550, Rules of the Auditor General.*

**Management's Response**

*The County has taken this matter very seriously. Over the past year, the County has assigned new staff to perform the reporting function for the SHIP grants. Additionally, personnel responsible for the reporting function of the SHIP program consults with staff in the Clerk Finance Office on a monthly basis.*

**Evaluate the efficiency of the system in place to monitor compliance with grant reporting and compliance requirements.**

For fiscal year 2001 and 2002, we recommended that a system for monitoring the required reports, due dates, status and actual report submissions be developed and that the Leon County contract/grant coordinator be ultimately responsible for oversight of this process. Such a system has not been implemented as of September 30, 2003. Specifically, during the current fiscal year, we noted untimely submissions for the Library Construction Grant. As of the date of our audit report, the library was approximately 60% complete and no reports were completed for reimbursement. Our recommendation is therefore repeated for the current fiscal year.

**Management's Response**

*Corrective action has been taken in the areas mentioned in this comment. Currently, the Internal Auditor conducts surprise cash counts at various locations as an enhancement to internal controls. Additionally, the Finance Department will institute a program where cash controls in various areas will be reviewed periodically for compliance to policy and internal control.*

**Develop and implement procedures to provide appropriate accountability for deposits prepared by remote cash collection points.**

In the prior year, we recommended that a policy be developed to require the preparer of any deposit to initial and date the deposit slip. Where practical, a policy should also be established to require that the deposit be reviewed for agreement to the daily cash receipt log and to require the reviewer to also initial and date the deposit slip. If the size of the staff for a specific cash collection point precludes the execution of such policies, the preparer of the deposit should forward the supporting documentation necessary for the Finance department to review the

accuracy and completeness of the deposit. During the current year tests of controls over cash receipts, we noted that deposit slips prepared by the Court Administration and Growth and Environmental Management departments did not include evidence of the preparer, therefore, our recommendation is repeated for the current year.

**Management's Response**

*The County has taken this matter very seriously. Over the past year, the County has assigned new staff to perform the reporting function for the SHIP grants. Additionally, personnel responsible for the reporting function of the SHIP program consults with staff in the Clerk Finance Office on a monthly basis.*

**Restrict the External Investment Portfolio Manager's access to the operating account.**

In the prior year, we recommended that a separate bank account be established for the external investment portfolio manager's use. Corrective action has been taken.

**Current Year Findings and Recommendations**

There are no matters to report

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*The Rules of the Auditor General* (Section 10.544(1)(g)1.b.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The status of recommendations made in the preceding annual financial audit report has been reported above under the heading Prior Year's Findings and Recommendations.

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we noted no instances of noncompliance with the provision of Section 218.415, Florida Statutes.

*The Rules of the Auditor General* (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal control: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters required to be disclosed.

*The Rules of the Auditor General* (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority for the primary government and each component unit of the reporting entity is disclosed in Note 1 of Notes to the Financial Statements. The Leon County Housing Finance Authority, a component unit of Leon County, was authorized pursuant to Chapter 159, Part IV, of the Florida Statutes and was created by Leon County Ordinance 80-39.

As required by the *Rules of the Auditor General* (Section 10.554(1)(g)6.c) and 10.556), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of Leon County, Florida and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Our audit did not disclose any further items required to be reported under the *Rules of the Auditor General*, Chapter 10.554(1)(g).

January 23, 2004